

LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Legislative Audit Committee Members

CC: David Ewer, Budget Director, Office of Budget and Program Planning

FROM: Angie Grove, Deputy Legislative Auditor, Performance Audits

DATE: July 2007

RE: Follow-up Performance Audit (06SP-15): Managing Vacant Positions in State Agencies (orig. 04P-05)

ATTACHMENT: Performance Audit Summary, Managing Vacant Positions

INTRODUCTION

We presented our performance audit of Managing Vacant Positions in State Agencies to the Legislative Audit Committee in November 2004. The report contains two recommendations to the Governor's Office of Budget and Program Planning (OBPP). The recommendations relate to reviewing the need for and eliminating long-term vacant positions from the base budget. The recommendations divided long-term vacant positions into the following two groups:

- Positions vacant for one year or longer,
- Positions vacant between six months and one year.

We requested and received information from OBPP regarding progress toward implementation of our report recommendations. We then interviewed OBPP personnel, reviewed related documentation, and discussed state FTE issues with the Legislative Fiscal Division. This memo summarizes information on the implementation status of audit recommendations.

Overview

Our review found OBPP partially implemented the audit recommendations. The Governor's Office recommended eliminating 60 FTE from the base budget for the 2007 biennium. The Legislature approved eliminating funding for 35 of those FTE resulting in a reduction in personal services appropriations of over \$4.1 million for the biennium. For the 2009 biennium, OBPP did not propose eliminating any long-term vacant positions. The Governor's Office proposed a four percent vacancy savings reduction to personal services for the 2007 and 2009 biennia which partially offsets the impacts of long-term vacant positions.

BACKGROUND

The Legislative Audit Committee requested a performance audit of the management of vacant positions in state agencies and the impacts of vacancy savings. After 28 years, the original concept and subsequent use of vacancy savings is now well established. While the original goal of the program – to capture unused payroll dollars during the time positions are vacant – has been achieved, there have been other impacts on the way managers administer the workforce.

We found agencies rely on vacant positions for fiscal purposes. Agencies have reacted to vacancy savings mandates by keeping more positions vacant and extending the length of time positions remain vacant as a key means of funding vacancy savings mandates.

Increasing vacant positions and the numbers of long time vacant positions are the effects of current budget strategies adopted by OBPP and the Legislature. Long-term vacant positions are not part of naturally occurring vacancy rates. The fact agency management has allowed positions to remain vacant for an extended period of time suggests the positions are not necessary to agency operations. Our audit contained two recommendations to OBPP to examine authorization for long-term vacant positions. These recommendations were geared towards establishing a more accurate picture of the positions necessary to provide current state government services.

FOLLOW-UP AUDIT FINDINGS

The following summarizes follow-up audit work and implementation status of the recommendations.

Recommendation #1

We recommend OBPP:

- A. Review and eliminate all positions vacant for one year or longer from the base budget.**
- B. Review the need for maintaining positions vacant between six months and one year and eliminate positions agencies cannot justify.**

Implementation Status – Partially Implemented

According to OBPP staff, vacant positions are generally scrutinized as part of the Executive Planning and Budget Development processes. OBPP staff identifies vacant positions and works with agencies to determine the reasons why positions have been left unfilled for extended periods of time. If justification does not exist, some of these positions may be eliminated and appropriation authority reduced. During the 2007 biennium, the Governor's Office recommended eliminating funding for 60 FTE from the base budget. The legislature approved reducing appropriation authority for 35 FTE resulting in an estimated savings of over \$4.1 million for the biennium. This savings is on-going, assuming new positions are not created.

However, the OBPP process of scrutinizing long-term vacant positions does not always occur. OBPP staff did not examine long-term vacant positions during budget development for the 2009 biennium. OBPP staff stated when the decision was made as part of the Executive Budget development to apply a four percent vacancy savings reduction to personal services budgets; it takes a significant number of vacant positions to provide the funding for agencies to cover their vacancy savings mandate.

SUMMARY

Agencies use the budget authority associated with long-term vacant positions to meet vacancy savings mandates. If the Executive and Legislature continue to apply vacancy savings reductions to personal services budgets, there will likely continue to be long-term vacant positions in state government. At fiscal year end 2007, 8.82 percent of FTE were vacant.

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